

Briefing Note
Monday, February 28th, 2011

MALAYSIA STEEL WORKS (KL) BERHAD

NOT RATED

Current Price RM1.35

Stock Codes

Masa MASTEEL/5098
Bloomberg MSW MK

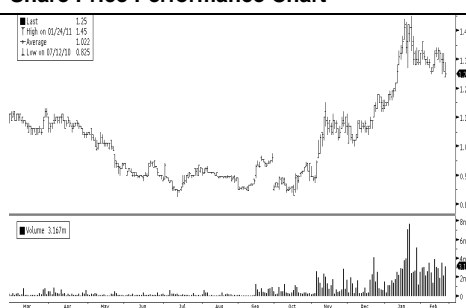
Stock & Market Data

FBMKLCI	1491.41
Listing	Main Board
Sector	Industrial product
Syariah Compliant	YES
Par Value (RM)	0.50
Issued Shares (mn)	194.6
Market Capitalisation (mn)	267.7
YTD Chg In Share Price	10.4%
52-week Hi/Lo (RM)	1.45/ 0.825
6M Average Volume	2128493
Estimated Free Float	52.6%
Majority Shareholders	
	TTY Resources S/B (30.40%)
	Tabung Haji (8.93%)

Key Indicators

ROA	3.3%
ROE	6.5%
Net Debt/Equity	0.53
Price/NTA	0.5

Share Price Performance Chart



Briefing Notes

Malaysia Steel Works KL Bhd (Masteel) had a briefing to update on its 4QFY10 result and rail project:

FY10 revenue exceeded RM1.0b mark Masteel has surpassed RM1.0b of revenue in FY2010. Revenue of RM1.0b was 46.2% higher than FY0's RM687.3m. The increase in revenue is mainly due to higher volume (+32% YoY) and selling prices (+11% YoY). EBITDA of RM64.0 was 198% higher than last year's RM21.5m. EBITDA would have been higher if not affected by RM14.0m write offs of bond investment impairment and disposal of stake in Bio Molecular Industries Sdn Bhd. The group manage to turnaround with an EPS of 13.6sen in FY10 compared to loss per share of 4.4sen in FY09.

4Q revenue of RM292.0m was slightly higher than 3Q's RM285.0m. PBT improved from RM5.4m a quarter ago to RM9.7m on higher volume and lower exceptional expenses. On a yearly basis, PBT was 8.7% lower due to a one-off provision for a legal suit of RM4.3m and higher finance costs. Stripping off the RM4.3m provision, PBT would have be 32% higher YoY.

Scrap prices remain firm, taking opportunity to increase inventory Masteel's key raw material – scrap prices remain firm at around USD460 in February. The group is trying to stock up more inventory as scrap prices are expected to increase in the near future. Its relatively low gearing of 0.54x gives ample room for the group to take on further leverage to increase inventory.

Updates on Johor rail system project Masteel said it is in the progress of obtaining approvals from Malaysian authorities and hopefully will commence on the construction work by 2H FY12.

YE 31 Dec (RM)	2008	2009	2010P	2011F	2012F
Revenue	881.22	687.26	1004.8	1135.0	1524.0
Net Profit	79.3	-8.1	28.2	52.0	92
NI Growth (%)	79%	-110%	448%	85%	77%
EPS (sen)	40.74	-4.16	13.6	16.4	29.1
DPS (sen)	2.5	1.0	5.8	6.0	7.0
NTA/Share (sen)	182.6	221.1	228.9	239.4	261.5
Net Debt/Equity	0.58	0.63	0.67	0.63	0.55
PER (x)	1.6	-23.8	9.2	7.6	4.3
Dividend Yield	3.9	1.0	4.6	4.8	5.6
ROE (%)	18.4	-1.9	6.5	11.0	16.6
ROA (%)	10.8	-1.1	3.3	5.7	8.8
P/NTA (x)	0.4	0.4	0.5	0.5	0.5

Source: Bloomberg, Company, Jupiter Research compilations

JUPITER SECURITIES RESEARCH

Income Statement									
(RM mn)	3M ended	3M ended	3M ended	% chg	% chg	12M ended	12M ended	% chg	
FYE 31 Dec	Dec-09	Sep-10	Dec-10	QoQ	YoY	Dec-09	Dec-10	YoY	
Revenue	191.7	285.0	292.0	2.4%	52.3%	687.3	1004.8	46.2%	
Operating expenses	(177.5)	(265.7)	(273.6)	3.0%	54.2%	(681.8)	(946.2)	-38.8%	
Other expenses	(0.2)	(9.7)	(4.3)	-55.4%	2469.2%	(0.9)	(14.2)	-1559.1%	
Other income	0.0	0.7	0.6	-19.3%	NA	0.7	1.8	158.3%	
Interest income	0.0	0.0	0.0	-13.2%	120.0%	0.1	0.1	29.2%	
Finance costs	(3.4)	(4.9)	(4.9)	0.9%	44.3%	(13.9)	(16.2)	-16.7%	
Share of results of associates	0.0	(0.0)	(0.0)	0.0%	NA	0.0	(0.0)	NA	
Pretax profit	10.6	5.4	9.7	78.3%	-8.7%	(8.5)	30.1	452.1%	
Tax	(0.0)	(0.7)	(0.7)	4.0%	3063.6%	0.5	(1.9)	523.1%	
Profit for the period	10.6	4.8	9.0	88.7%	-15.1%	(8.1)	28.2	448.2%	
Basic EPS (sen)	5.4	2.4	4.4	85.1%	-20.0%	(4.4)	13.6	413.1%	
Pretax margin (%)	5.5%	1.9%	3.3%			-1.2%	3.0%		
Profit margin (%)	5.5%	1.7%	3.1%			-1.2%	2.8%		

Company	Last Price	Market Cap	PE Ratio (x)		EPS (RM)		Div Yield (%)		ROE (%)	
			2011	2012	2011	2012	2011	2012	2011	2012
Malaysia Steel Works KL	1.27	267.7	0.7	0.6	4.5	0.8	9.3	7.7	4.5	4.7
Ann Joo Resources Bhd	2.84	1484.5	8.7	8.0	32.8	35.3	4.1	4.0	3.5	15.0
Southern Steel Bhd	2.13	893.4	7.9	7.3	27.0	29.0	NA	3.8	2.3	13.6
Kinsteel Bhd	0.875	846.5	35.0	9.9	2.5	8.8	1.7	1.0	2.4	1.7
CSC Steel Holdings Bhd	1.72	653.6	6.8	6.7	25.2	25.5	8.1	8.1	8.8	11.5
Lion Industries Corp Bhd	1.91	1371.2	5.5	4.5	34.8	42.5	0.5	0.5	12.6	6.4
Perwaja Holdings Bhd	0.97	540.4	13.4	7.8	7.2	12.4	1.0	1.2	-11.8	0.2
Hiap Teck Venture Bhd	1.02	333.9	6.6	6.0	15.5	17.0	1.6	1.6	8.1	6.5
Choo Bee Metal Industries	1.66	182.4	8.3	6.1	20.0	27.0	3.6	3.6	5.3	5.6
Average			11.5	7.1			2.9	3.0	3.9	7.6

Source: Bloomberg, Jupiter Research compilations

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